

What is the relevance of a general system theory?

András Vigvári

Financial system

A non-mainstream approach

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If you open the textbook titled *Financial (system) theory* by *András Vigvári* you have quite a few points of departure to review it. One such starting point is to state that the world referred to as *financial system* is described by the author with unique thoroughness. Another possible approach is to begin with the pedagogical and didactic viewpoints which are equally important, since *Financial (system) theory* is intended to be a textbook, an objective which is clearly served by the conscious way the text is handled by the author and the way the book is divided into different layers reflecting a pronounced structure of content.

In a critical review it is also justifiable to highlight the significance of the theoretical and philosophical components which also play a dominant role in this work. Developing theories has always been the fundamental objective and aspiration of each and every scientific discipline, since this is the only way to compre-

hend and explain the operation of the studied subject. When you are learning about the history of economic theories you are actually testing their application, because the relationship of economics with its own history (i.e. with the history of economic theories) is fundamentally defined by its particular characteristic features. Researchers of natural sciences attach far less importance to the various ways their predecessors made discoveries that in those historic moments represented the boundaries of a given discipline, boundaries which were further stretched by every new scientific accomplishment. The logic used by economists is different from the usual road followed by natural scientists, as economists are involved in studying a constantly changing world, which is too complex to study without a certain selection of the phenomena under review. Economists search for general trends behind events that do not occur with a repeated pattern, trends that may

create a proper ground for scientific observation, in other words, the simplification of the studied events enables researchers to find the constant and repeated elements in this seemingly disorderly chaos. This is exactly the very domain in which economic theories offer useful assistance by providing economists with the tools of analysis. It is economic theories that help us concentrate on the relevant factors, events and processes only. For the above reason, we cannot say that there is only one relevant theory in economic science, as quite different theories are applied to describe different phenomena as analytical tools. It is finally up to each economist to decide the adequate framework to be applied. From this point of view, Financial (system) theory fully complies with the tradition which goes back to the 19th century and which is still alive (and quite useful), i.e. the tradition of a historical introduction, the summary of methodological principles or the presentation of the greatest figures of this scientific discipline, a traditional introduction that serves to appreciate the results of economics. In this school material colourful stories and brief portraits of outstanding economists are used by the author to make this book an easy reading by mixing serious scientific text with reading material which satisfies the curiosity of the readers. Each and every layer of the text reflects thorough editorial work, because the presentation of the subject is indeed concentrated on the essential points without neglecting the fundamental intention to convey scientific knowledge to the readers. Although frequent references are made to theoretical problems, their presentation is not lost in describing the details of high theory. It is up to the readers to decide how much they want to extend their studies in such details. The highlighting of relevant scientific problems and the abundance of scientific references will help the readers to do further research. In addition to all the above merits, mention must be made of the

main intellectual message of the book, i.e. the approach of the author which treats the financial system *as a system*.

■ Let us see what is the concept of general system theory. According to the concept of Husserl (1936), who advocated the crisis of sciences, a scientific discipline is deemed to be in a crisis if its scholarly character becomes questionable, in other words, the way its objectives are defined and its methods are developed to reach its objectives. Sciences approach reality *in a scholarly manner*, but this is not necessarily the only and not even the best method of grappling reality. The crisis of sciences was actually caused by a one-sided theoretical approach which led to a loss of their relevance vis-a-vis the problems of real life. In the middle of the 20th century, attention was focused on another aspect of the crisis of sciences, when detrimental side-effects of scientific specialisation were pointed out. It became increasingly evident that representatives of the individual branches of science could no longer communicate with each other. Scientific dialogue was limited to physicists talking to physicists only, economists talking to economists only. The lack of communication between disciplines was clearly due to the absence of a common language. The accumulation of knowledge is by acquiring meaningful information, as a result of which the structure and content of previous knowledge are being reorganised. The chances of this reorganisation of knowledge are reduced by specialisation and, as a result, the development of science slows down, and the representatives of a given science are becoming increasingly incapable of receiving knowledge from other disciplines.

General system theory offered a possible solution for the above crisis of sciences by creating a framework, which can restore communication among the individual subcultures of science. General system theory never wanted

to become a *general theory*. It does not aspire to describe reality by condensing it into one single comprehensive theory or by trying to go beyond the particular theories of the individual branches of science. Instead, change was primarily brought by the appearance of hybrid science (physical chemistry, biophysics, biochemistry, astrophysics, social psychology, economic psychology or economic sociology). General system theory, however, represents a uniform view and a specific structure which makes the empiric universe accessible for each and every branch of science. By using general system theory, the various phenomena (especially the ones that are studied by different disciplines) that were formerly described only by the individual disciplines can now be integrated into general frameworks or general theoretical models that can be handled by each branch of science without losing the relevant description of these phenomena. (For example, the models of population growth and interactions, which are equally significant in describing ecological systems or capital theories. Such models basically describe the very same processes by using the very same definitions, each and every model represents the competitive, complementary or parasite-type relationship of the individual species' population, and these individual species can actually mean individuals, products, social classes or even molecules). In conclusion, this is about unifying the methodology of the individual branches of science (or at least it is about an effort to do so). System theory can be interpreted as a frame, which may present itself as a permanent medium for the constant changes of the individual branches of science. (According to some schools of thought, system theory failed to meet expectations because – as it is claimed – neither *general system theory* itself nor a *system-based approach* can be defined as something outside the domain of scientific disciplines, in other words, system theory has also become specialised).

■ András Vigvári observes the structure and operation of modern societies as a complex set of phenomena which represents only one layer of this building block of economy, also a complex system in itself. The financial system is only a segment, a *sub-system* of the above. Since we are faced with an immeasurably large number of phenomena, components and players, so it is considerably easier to identify the players and to understand the operation of the system if we observe this world with a system approach. General system theory is used by the author as a tool to apply this way of observation. However, the author goes even beyond that. System theory is not only a very helpful means of understanding the operation of the financial system, but by using it, the interactions between the financial system and its environment also become visible and describable. The presentation of the interaction between the financial system and its environment, i.e. the economic and social system, is especially important, because each and every segment of the economy is intertwined by money, which actually defines their development. The financial system itself has also been developing in a way its environment has demanded or made it possible. This is the condition which makes it possible for the author to treat the monetary system, the financial system and the fiscal system in a complementary way. The questions dealing with the interaction between the financial system and its social environment are most visible in the chapter dealing with a comprehensive overview of the operation of the fiscal system. In the second part of the book, this perspective becomes even broader and the financial system is dealt with in the context of open economies. Starting with the basic concepts, such as exchange rate convertibility, balance of payment, the readers can venture into the exciting arena of the world economy and they can study its operation from this particular viewpoint. In the meantime, system theory

continues to be the major means of analysis, in other words, while discussing the international financial system, its components, processes and its structure are consciously separated from their environment, while the system itself is presented as a total entity made up of the above building blocks. In conclusion, Financial (system) theory does its best to prepare the readers to navigate in the financial world and provides them with an effective method of economic thinking and analysis.

■ Finally, a few words about those the book intends to appeal to. We can only agree with the author's recommendation saying that the book intends to appeal not only to the university students of economic sciences, who are the

obvious and primary clients of this book. Since the related branches of knowledge, such as sociology, increasingly venture into territories which have traditionally been linked to economics (for example, the economic or budgetary policy aspects of regional and local development), students, teachers and practical experts of such related branches of knowledge will also find this book useful. The author's recommendations again bring us back to system approach, because those who are interested in the research methodology of social sciences can also acquire new knowledge by reading this book in which general system theory is consistently applied.

Péter Galbács

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